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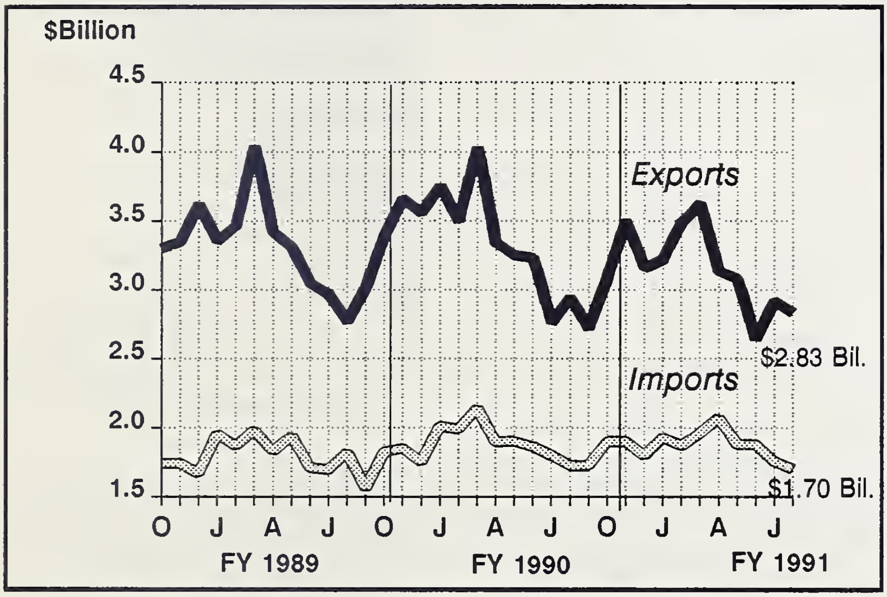
AGRICULTURAL TRADE HIGHLIGHTS

Agricultural Exports in August Down Slightly From Year-Ago Levels



August trade statistics released on October 17 by the Commerce Department placed U.S. agricultural exports at $2.8 billion, down 3 percent from July and down 4 percent from year-earlier levels. As a result, year-to-date exports have now dropped to $34.7 billion, down 7 percent from the same 11-month period last year. Export volume for August totaled 10.7 million tons, roughly unchanged from July but down 2 percent from last August.

Exports of *bulk commodities* continued to suffer from weak global import demand, falling 12 percent in August. The decline was led by significant losses in exports of cotton (down $124 million), wheat, and coarse grains (down a combined $104 million), mainly to major Asian markets. Recent declines in cotton exports have now erased the substantial gains chalked up earlier this year. Overall, bulk exports--valued at $16.3 billion for the first 11 months of the fiscal year--are off 20 percent from last year's level.

At close to $700 million, August exports of *intermediate products* fell 4 percent from last year. Two commodities--feeds and fodders and hides and skins--fell 21 and 29 percent, respectively, for a combined drop of $74 million. Partially offsetting these losses were soybean meal and live animals, registering gains of 31 percent ($19 million) and 156 percent ($45 million), respectively. Year-to-date, intermediate exports lag 3 percent behind the same period last year.

Consumer-oriented exports have been strong all year and at $911 million, August was no exception. For the month, exports registered an 11-percent rise over year-earlier levels due to gains in nearly every category. In terms of dollars, the most notable gains for the month were recorded by processed fruits and vegetables (up $17 million) and tree nuts (up $22 million). Other significant gains included dairy products (up 71 percent), breakfast cereals (up 51 percent), snack foods (up 33 percent), and pet foods (up 31 percent). Year-to-date, consumer-oriented exports have already surpassed the $10-billion mark--a new record high--and are 18 percent ahead of year-earlier levels.

Export performance with the *top 10 U.S. trading partners* was mixed during August, with five countries registering lower export levels, four advancing, and one showing no change. The gainers were led by the Soviet Union which recorded an increase of $149 million due to higher grain shipments. Rounding out the list of gainers were Egypt (up $33 million), Taiwan (up $17 million), and the EC (up $12 million).

U.S. agricultural imports for August totaled $1.7 billion, down 3 percent from July, and down only 1 percent from last August. August's imports bring the cumulative total for fiscal 1991 to $20.76 billion, roughly unchanged from the same period last year. At $1.13 billion, August's trade surplus was $170 million higher than last year.

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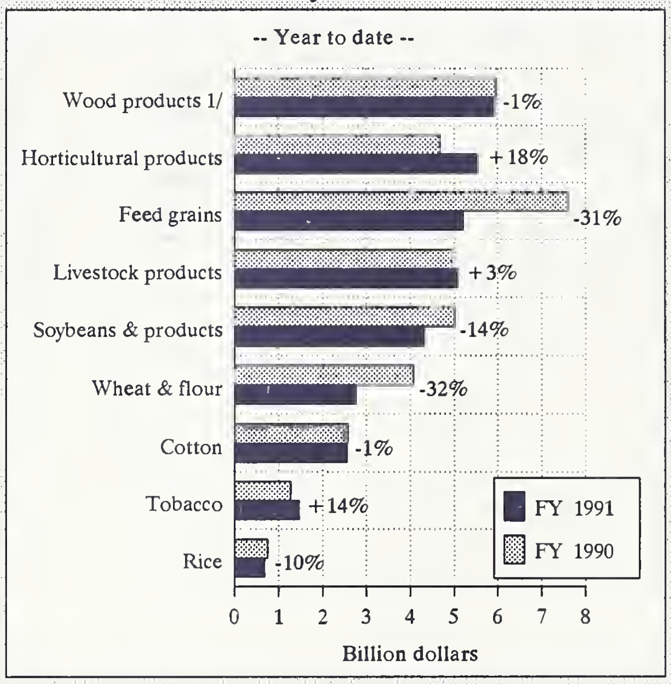

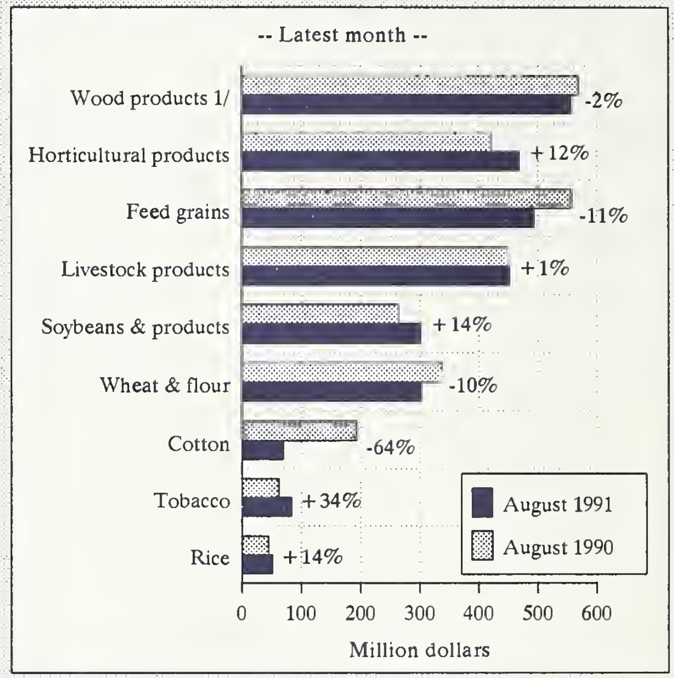

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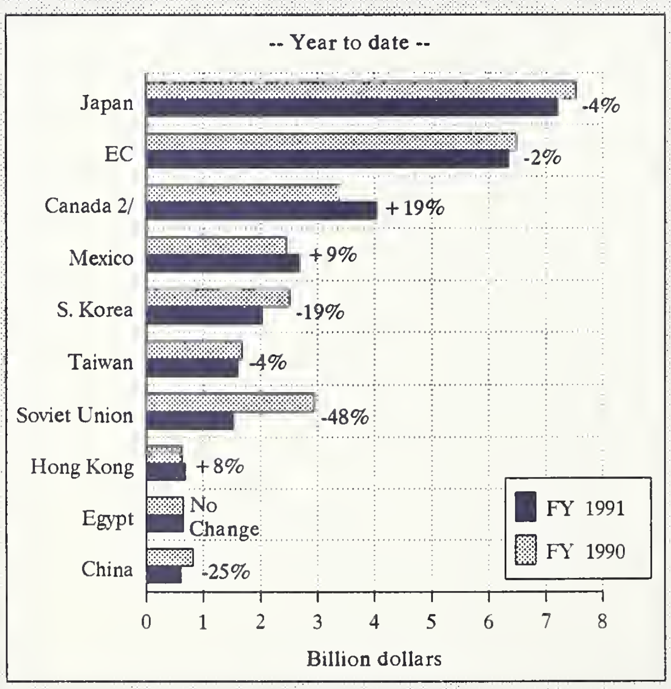
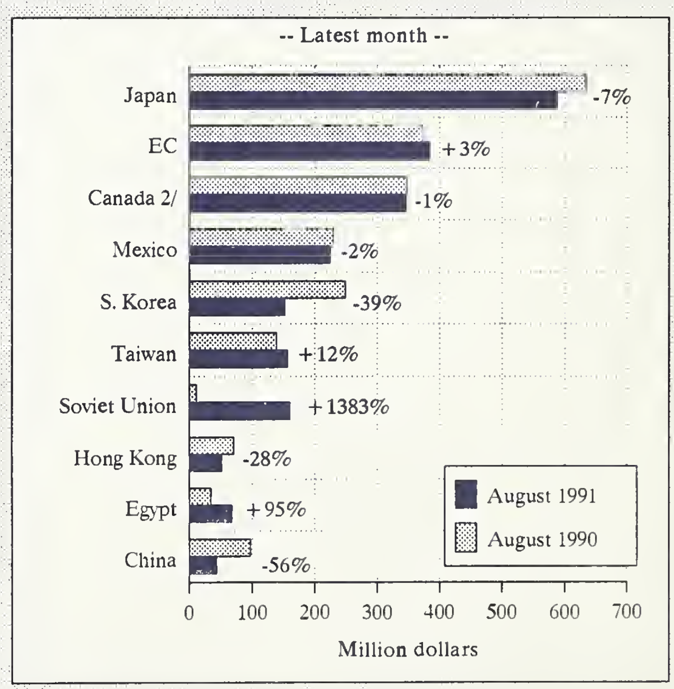




Note: Percentages are computed as the change from a year ago.

1/ Not included in agricultural totals. 2/ U.S. agricultural exports to Canada have been under-reported in past years by about $1 billion a year and officially recognized by both Governments. Effective January 1990, the U.S. Bureau of the Census began adjusting U.S. export statistics to account for these differences.

Commodity Highlights

At $2.8 billion, agricultural exports in August were down 4 percent from last August and 3 percent lower than July 1991. This marks the ninth time in the past 11 months that exports have fallen from year-earlier levels. Significantly lower cotton exports and weaker grain exports in August more than offset gains in oilseeds, horticultural products, and tobacco exports.

Wheat and flour exports totaled $302 million, down 10 percent from last August--the result of continued weak prices. However, export volume actually rose by 7 percent to 2.7 millions tons. Sales to a number of countries that recorded no exports from last August included exports to the USSR ($11 million), Algeria ($6 million), Egypt ($24 million), and Brazil ($33 million). Year-to-date sales now total 25.2 million tons and $2.8 billion, down 4 percent in volume and 32 percent in value. Relatively stronger exports in the later part of the fiscal year have helped revive export volume to near-1990 levels while lower prices continue to depress value.

Feed grains exports, at $493 million, were down 11 percent from last August on 5 percent lower volume. Exports to the USSR rebounded to $77 million, up from zero last August, thereby preventing a more serious decline. However, exports were off to Korea (down $82 million), Canada (down $14 million), Israel (down $12 million), and Japan (down $25 million). Year-to-date exports reached $5.2 billion and 47.8 million tons, down 37 percent in value and 27 percent in volume. Slow and sporadic exports to the USSR and Eastern Europe, due to political and economic events, accounted for half of the decline. Also, increased exports of competitively priced corn by China have hurt U.S. exports to Asia, especially Korea.

Exports of *rice* in August totaled $52 million, up 14 percent on a 5-percent increase in volume. The largest single gain was a $5-million rise in exports to the Dominican Republic--a 130 percent gain. In addition, increased sales to South Africa and Honduras (up nearly ten-fold) and Switzerland and Saudi Arabia (up 50 percent each) more than offset declines. Year-to-date, exports now total $690 million, down 10 percent from last year on 2 percent lower volume. The slow pace of exports to Mexico and the embargo on sales to Iraq reduced export volume despite strong sales in other markets.

Exports of *unmanufactured tobacco* rose to $84 million in August, up 34 percent from a year ago. Reaching $53 million, sales to the EC were up 50 percent and accounted for most of August's $22-million increase. Exports were also strong to most Asian countries with the notable exception of Hong Kong which fell sharply (down almost 70 percent). U.S. exports of unmanufactured tobacco have grown substantially over the past few months, erasing the earlier losses. As a result, year-to-date exports are now up 14 percent at $1.5 billion on an 11-percent volume increase.

Exports of *soybeans and products* in August reached $302 million, up 14 percent from year-earlier levels. Export volume was up also, gaining 20 percent. Substantial export gains were recorded to the USSR (up from zero to $62 million) and to Korea (up $23 million). Offsetting some of these gains were sharply lower sales to Mexico, Israel, Canada, the EC, and Venezuela. While exports have strengthened over the past few months, year-to-date exports remain below year-ago levels--down 12 percent in volume and down 14 percent in value--mostly due to lower soybean use by importing countries.

At $70 million, exports of *cotton* declined significantly for the second consecutive month--down 65 percent in both value and volume. The declines were widespread but were most acute in Asia and the EC. No exports were reported to China in August compared to $45 million a year earlier. This loss alone accounted for one-third of the overall decline. Other Asian markets experiencing declines were Korea (down 70 percent) and Hong Kong (down 95 percent). Sales to the EC were down 60 percent. The decline for August pushed year-to-date exports slightly below year-ago levels for both value and volume, reversing the trend seen earlier this year when exports were running above year-earlier levels.

At $469 million, exports of *horticultural products* continued strong in August, rising 11 percent from last year. Gains were reported in most markets with exports to Japan totaling $85 million (up 18 percent) and exports to the EC totaling $91 million (up 40 percent). Year-to-date, horticultural exports are up 18 percent to $5.5 billion--a new record high.

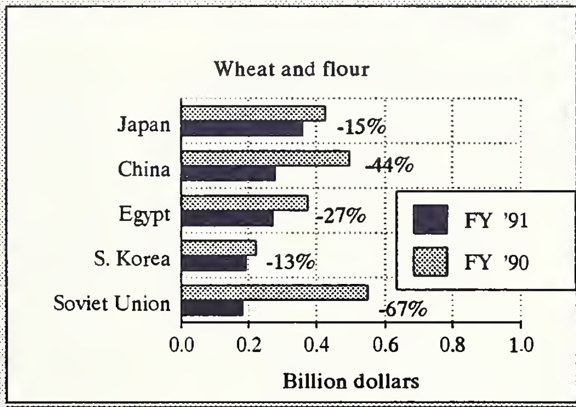
Livestock product exports of $449 million were unchanged from August of a year-ago. Increased sales of live animals were offset by lower exports of cattle hides and beef. Shipments were up to Mexico (by $35 million), the EC (up $18 million), and Canada (up $6 million). These gains were offset by declines to Japan (down $44 million), Korea (down $24 million), and Algeria (down $4 million). Year-to-date, exports total $5 billion, up 3 percent from last year.

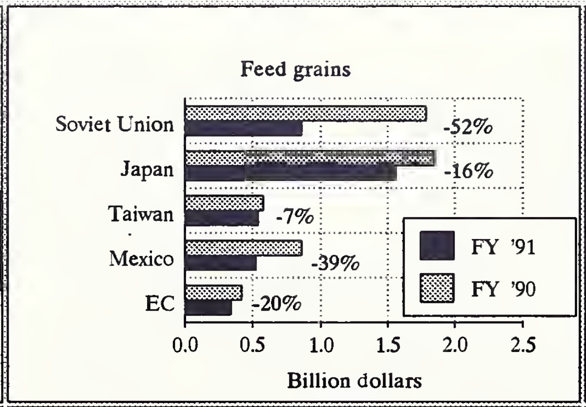
At $577 million, exports of *wood products* were down 2 percent from last August. Higher exports to Canada, Mexico, and the EC (each up $6 to $8 million) partially offset lower exports to Japan (down $21 million) and to China (down $16 million). So far this year, wood product exports have reached $5.9 billion, almost unchanged from last year.

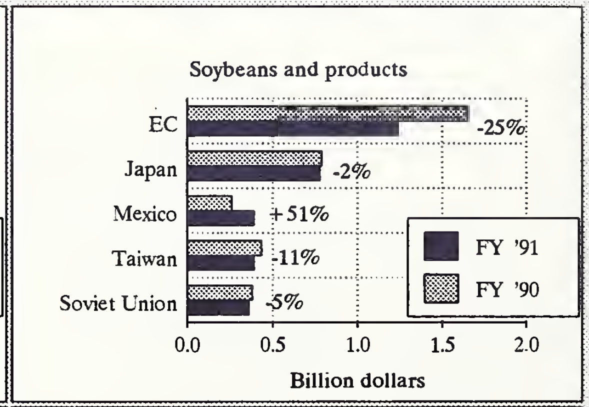
For more information, contact James Johnson at (202) 720-2922

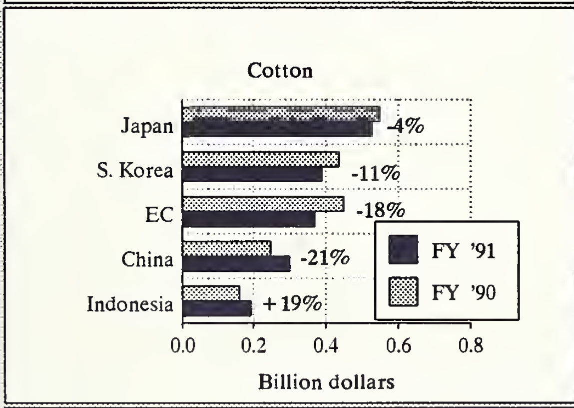
PLEASE NOTE: On Oct. 28, 1991, FAS changed to new telephone numbers. The new numbers are reflected throughout this issue.

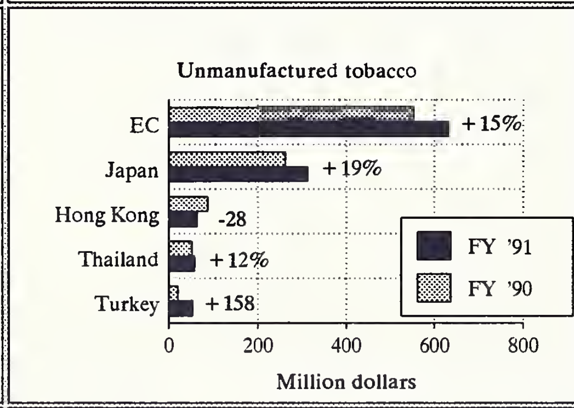
Top Five Markets for Major U.S. Commodities
October - August Comparisons

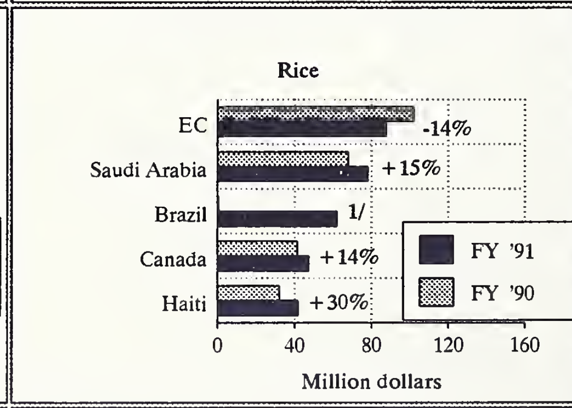


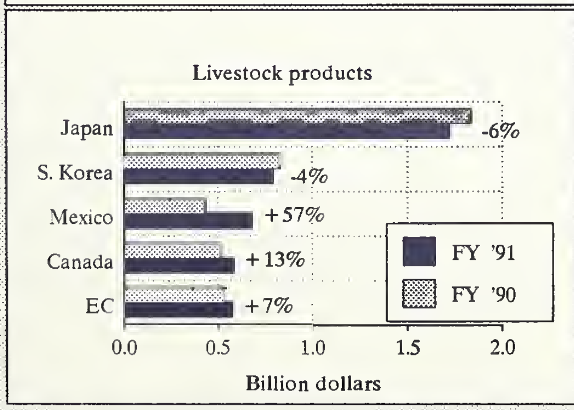


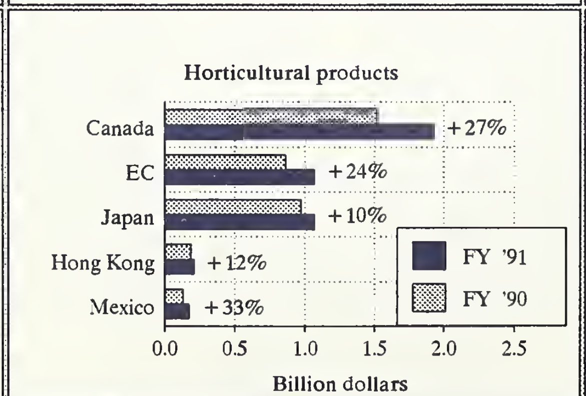


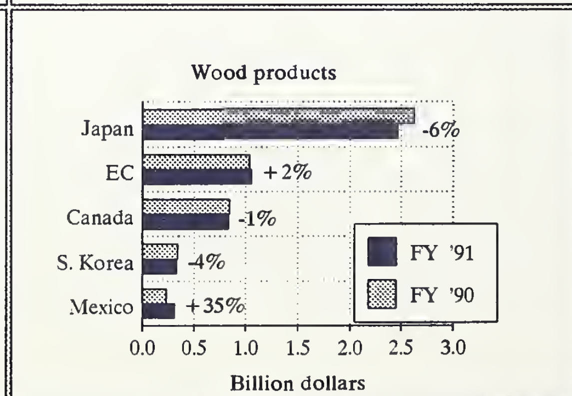












Note: Percentages are computed as the change from fiscal 1990 to fiscal 1991.
1/ Negligible exports reported during comparable period last year.

Country Spotlight: Indonesia

As the fifth most populous country in the world, Indonesia is quietly evolving into a strong market for U.S. agricultural products. Wide-sweeping economic reforms implemented in the early 1980's have been successful in fostering a more diversified and market-oriented economy. These changes, complemented by a stable political environment, have led to relatively high income growth rates and a growing middle class. It is the latter which underscores this country's progress and which gives rise to its emergence as a growth market for U.S. food exporters.

In 1990, the United States supplied Indonesia with 17 percent of its total imports valued at $1.6 billion. At $277 million, U.S. exports to this country were up 28 percent from 1989, and up 60 percent from 5 years earlier. For 1991, it is anticipated that exports should clear the $300-million mark. Likewise, the overall size of the Indonesian market continues to grow. Since 1986, Indonesian imports from the world rose 74 percent, from $919 million to $1.6 billion in 1990. Unless the United States can step up its pace, it appears that U.S. exporters are losing market share to eager and aggressive competitors in this growing market.

The top Indonesian imports from the United States during fiscal 1990 included cotton ($168 million), soybeans ($42 million), and wheat ($25 million). The United States remains the most important supplier of cotton (supplying 40 percent of Indonesia's total cotton imports) to fuel Indonesia's rapidly growing and dynamic textile industry. Competitive prices, consistent quality, and dependable supply of U.S. cotton have all been instrumental in the United States dominating this very critical market.

The primary high-value food products imported include red meats, frozen and canned vegetables, dairy products, and food ingredients. Major competition for U.S. high-value food products in Indonesia include the EC, New Zealand, Austrialia, Canada, and China. The United States holds the largest share of the market for frozen vegetables, led by frozen french fries, although Canada has recently made an impressive showing in this market. The tremendous growth in fast food outlets has given rise to this growing demand for frozen french fries, in addition to poultry, and other related restaurant products.

The potential for high-value food products has been boosted by the trade and economic reforms begun in the early 1980's. At this time, the Government of Indonesia (GOI) embarked on a program of economic reform, designed to stimulate private sector activity. The most recent deregulation package, "PAKJUN," was announced June 3, 1991. This package has led to more liberal trade and reduced import duties on most fresh fruits, nuts, and some categories of chicken. Although high duties continue to limit the entry of some high-value products, the outlook is more encouraging in view of "PAKJUN" and the liberalization trend it represents. Further progress in eliminating non-tariff barriers and lowering tariff levels is expected in the coming year.

More importantly, liberalization of the economy over the past decade has encouraged the emergence of a growing urban-based middle class, estimated at 15-20 million. Rising incomes have allowed this expanding sector to purchase imported high-value food products and to frequent the fast food and western-style restaurants that have sprung up in Jakarta and the other urban centers of Java. In addition, the middle class has demonstrated a willingness to support an ever increasing number of western-style supermarkets that feature a wide range of imported products. Consequently, the domestic supermarket industry is expanding rapidly to take advantage of these more affluent consumers.

The recent "PAKJUN" trade deregulation measure has substantially increased opportunities for U.S. exporters. Almost all fresh fruits may be imported by a general list of importers, and in most cases the duty has been lowered from 30 percent to 20 percent. In 1982, before import restrictions were imposed, Indonesia was an expanding market for fresh fruit (mostly oranges, apples, and grapes), with total import value at almost $12 million in that year. The prospects for trade are even greater now, as the economy and the middle class are much larger than before.

For more information, contact Lori Huthoefer, (202) 720-1034

Indonesian "Travelling" Food Show a Success

A "Travelling Food Show", so named due to its unique nature, was held in June in the capitol of Jakarta. Although 35 U.S. food companies were represented, none of these firms were actually present at the show. Instead, product samples were mailed by the potential U.S. exporters to the FAS office in Indonesia for display at the show.

Over 200 U.S. products, representing the 35 U.S. food companies, were included in the show. Of the 200 invitations sent to local Indonesian industry officals, more than 140 attended. According to FAS officials, the event was very successful. This relatively new type of food show provides an inexpensive means for U.S. exporters to promote their products in foreign countries.

August Imports Continue Downward Trend

U.S. agricultural imports continued to head downward in August from 1990 levels, registering $1.7 billion for the month and $20.76 billion so far this fiscal year. Giving mixed signals for the relatively sluggish pace, competitive imports were slightly above 1990 year-to-date figures, while non-competitive imports fell 4 percent during the same period. Although much of the decline is broad-based across product categories, concentrated drops occurred in Mexico, Brazil, and the EC. However, rising imports from Canada and Australia seem to have offset these decreases and an October-August comparison shows imports this year will be relatively unchanged from 1990.

Canada's year-to-date exports to the United States now total $2.95 billion, almost a $122-million increase over last year at this time. Canadian supplies currently account for 14 percent of U.S. agricultural imports from the world. Imports from Australia have made substantial inroads into the U.S. market this year as well, increasing 9 percent to a total of $1.14 billion.

At $4.1 billion, EC-12 sales to the United States are relatively unchanged from their previous year total, but continue to be the United States' largest source of imports. However, imports from the largest EC markets--the Netherlands, France, and Italy--all fell in August.

So far this year, the United States has developed into a $2-billion market for Australian, Mexican, and New Zealand red meat exporters. This figure amounts to almost 70 percent of all U.S. imports of red meats. Imports of live animals and beef and veal have risen 9 percent and 10 percent, respectively, from the October-August period last year. However, U.S. imports of live animals from our two largest suppliers, Canada and Mexico, fell slightly in August even though shipments from both countries are well ahead of 1990's year-to-date levels. Live animals, along with fresh pork and beef and veal, are Canada's largest volume exports to the United States. They are primarily shipped to the U.S. market for processing and re-exported back to the Canadian market.

Both fruits and fruit juices experienced some decline in August. However, they are actually returning to more stable pre-1990 levels which were not impacted by last year's domestic orange crop freeze. Fruit and vegetable juice imports from Brazil are less than half of their 1990 level after dropping more than 20 percent in market share this year. Increased imports of fresh fruits from North and South America have lifted total year-to-date fresh fruit imports to $1.6 billion. Although fresh vegetable imports from Mexico rose in August, they have declined to $681 million for the year so far.

At $1.7 billion, coffee imports have fallen nearly 10 percent compared with their 1990 October-August figure. Coffee purchases from Brazil, however, have increased by more than $100 million during this period, despite the fall of the country's global market share to Colombian competitors. Price-conscious U.S. importers favor cheaper Brazilian beans of average-to-higher quality.

For more information, contact Karen Halliburton, (202) 720-1299

U.S. Agricultural Imports by Major Product Sector *
August 1991 and Year-to-date Versus Year-ago

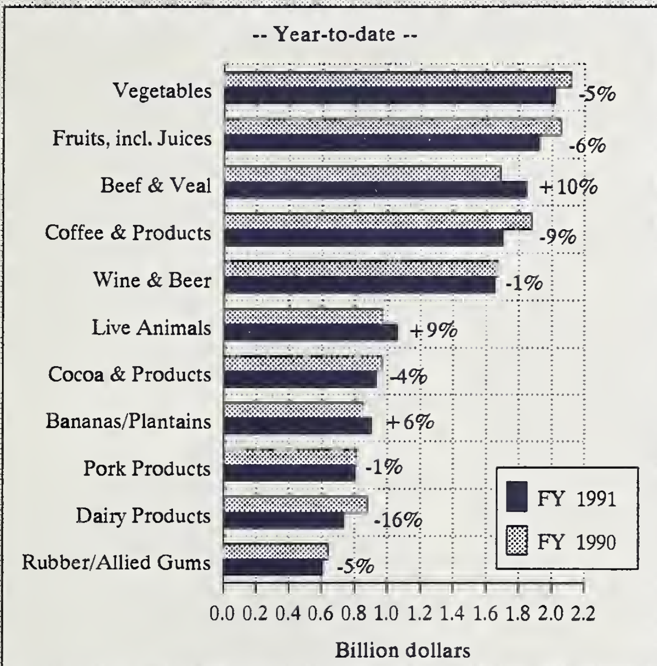
Import Category	Aug. 1991	Aug. 1990	% Chg	Oct-Aug. FY91	Oct-Aug. FY90	% Chg
			-- $Million --			
Total competitive	1,297	1,305	-1%	15788	15,651	1%
Fruits, incl. juices	118	126	-6%	1,921	2,054	-6%
Wines & beer	151	169	-11%	1,653	1,671	-1%
Vegetables	138	119	16%	2,019	2,116	-5%
Live Animals	49	57	-14%	1,061	970	9%
Beef & veal	175	162	8%	1,847	1,687	1-%
Dairy products	77	81	-5%	734	879	-16%
Pork	73	88	-18%	804	813	-1%
Total noncompetitive	409	422	-3%	4,972	5,158	-4%
Coffee & products	123	128	-4%	1,701	1,876	-9%
Cocoa & products	79	96	-18%	927	965	-4%
Bananas/plantains	88	78	14%	900	852	6%
Rubber/allied gums	44	53	-16%	608	640	-5%
Spices	20	18	13%	239	221	8%
Tea	12	11	10%	142	141	1%
Total agri. imports	1,706	1,727	-1%	20,760	20,809	0%

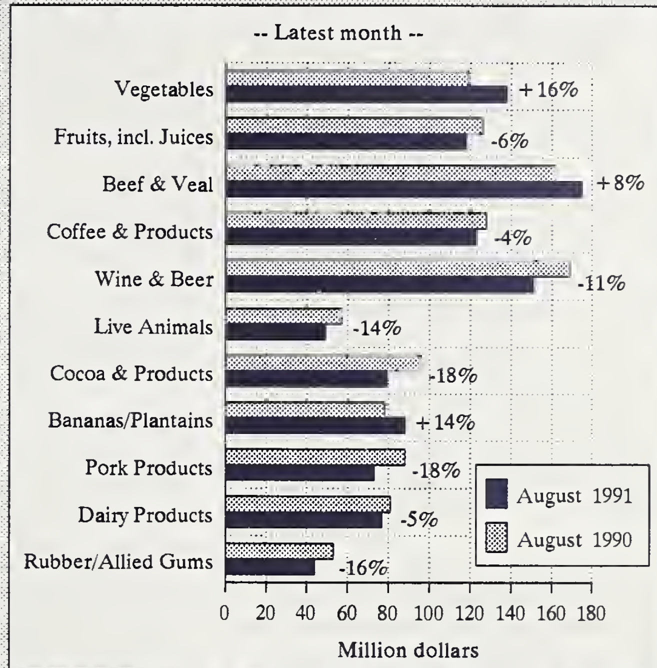
Source: Commodity Trade Analysis Branch, Economic Research Service, U.S. Department of Agriculture, Washington, D.C.
* Rounded to nearest million dollars.

Noncompetitive imports do not compete with U.S. production and include: bananas/plantains, coffee (incl. processed), cocoa (incl. processed), rubber/allied gums, spices, essential oils, tea, and carpet wools.

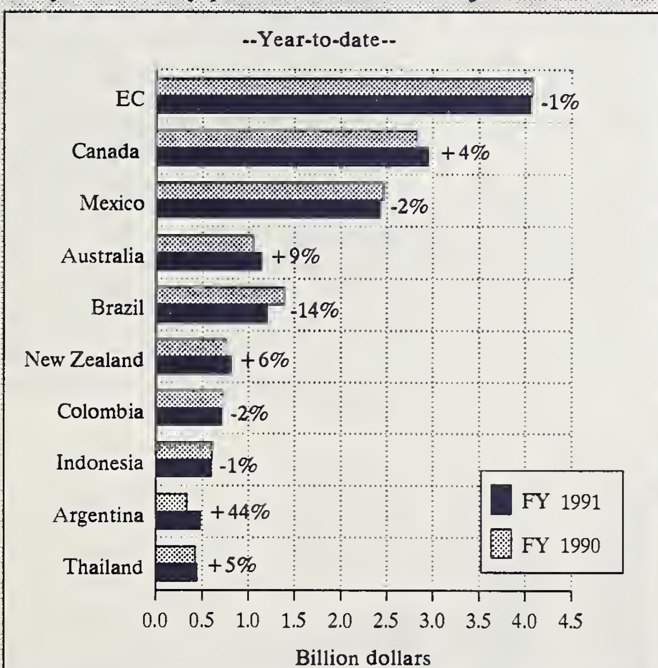
U.S. Agricultural Import Summaries
October-August and Latest Month Comparisons

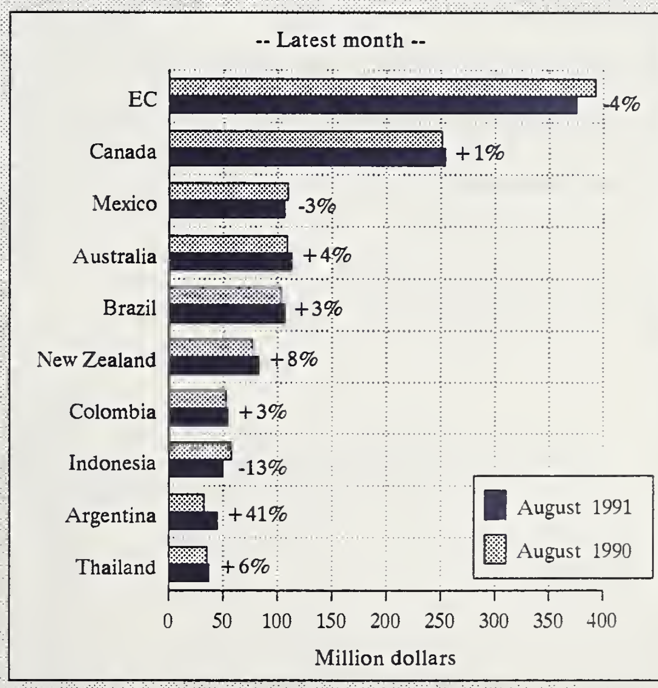
Product Summary





Top 10 Suppliers Summary





Note: Percentages are computed as the change from a year ago.

Product Spotlight: Pet Food

In the past two issues, Agricultural Trade Highlights profiled the performance of two lesser-known commodities that have exhibited promising export potential for the United States. This month, pet food is in the spotlight. U.S. pet food exports have not only experienced significant growth in recent years, but has the largest market of the three commodities profiled so far.

Although pet food may not be considered a typical or traditional product, they have become a significant agricultural export for the United States. U.S. exports of pet food will reach $300 million in fiscal 1991--up six-fold from just 5 years earlier--and are expected to top a half-billion dollars by the mid-1990's. In fact, international sales are the fastest-growing component of the U.S. pet food industry.

While pet food exports have grown rapidly, domestic sales growth is constrained by the slow growth rate of households in the United States and the limited expansion in the percent of households with pets. Total pet food sales in the United States in 1991 are expected to be $7.5 billion.

During the early 1980's U.S. pet food exports were fairly stable, averaging $50-$60 million annually. However, after 1986, exports increased dramatically, rising 40 percent per year since then.

World trade (excluding EC intra-trade) in pet food reached $715 million in 1990. While U.S. exports of pet food have achieved a 25-percent share of world trade, the United States has not attained uniform market penetration. In fact, the U.S. share of pet food imports in the top world markets varies greatly.

Specifically, the United States has more than a 90-percent share of the Canadian import market, a 40-percent share of the Japanese import market, and a 30-percent share of EC imports (excluding intra-trade). However, the U.S. presence is not nearly so large in other major markets. The EC dominates other West European markets with at least a 75-percent market share. The U.S. share in this region is small, with market share below 6 percent in Switzerland, Sweden, Norway, and Austria.

U.S. exports of pet food will reach $300 million in fiscal 1991 -- up six-fold from just 5 years earlier ....

In 1990, the United States surpassed the EC as the world's largest exporter of pet food. EC pet food exports to non-EC countries have grown at only 10 percent annually over the last 2 years, while U.S. exports have grown 4 times faster. However, EC intra-trade, which reached $930 million in 1990, has grown 30 percent annually.

The consumption of commercial pet food is closely related to income levels, as evidenced by the fact that the EC, Japan, Switzerland, Canada, the United States, Sweden, Norway, Australia, Austria, and New Zealand are the 10 largest import markets in the world. These countries account for over 95 percent of the global pet food market. For the United States, Japan, Canada, and the EC account for over 85 percent of the pet food market.

Pet food importing countries also tend to be exporters, since most of the world's production occurs in countries that use pet food. Eight of the top 10 importers are also among the top 10 exporters, with the exception of Japan and Norway. Exporting countries utilize available technology and resources of high-quality grain products. Thailand, the third largest exporter in the world, is a notable exception. Thailand exports mainly cat foods which utilize, to a large degree, available fish products.

According to information from the U.S. Commerce Department, just a few U.S. producers including Ralston, Purina Mills, Quaker Oats, Nestles, Mars, Heinz, and Grand Met, account for over two-thirds of U.S. sales. Overall, exports account for less than 5 percent of total U.S. pet food production. Many major U.S. producers also have production facilities in other countries.

Canada, the third largest pet food import market in the world, is the largest market for American pet food exports. Prior to 1990, the United States traditionally had greater than a 60-percent share of Canadian pet food imports. U.S. exports to Canada have surged from $46 million in 1989 to a projected $127 million in 1991, causing U.S. market share to surge to 90 percent.

Canada, Japan, and the EC Dominate Market for U.S. Pet Food Exports

Country	1986	1987	1988	1989	1990	1991(F)
($Thousands)						
Canada	21,044	34,599	47,261	46,023	91,513	127,000
Japan	9,993	18,902	31,631	71,718	63,284	79,000
EC-12	7,312	8,938	12,259	20,589	33,452	59,000
Others	16,141	20,463	33,090	27,130	29,897	43,000
TOTAL	54,490	82,902	124,241	165,460	218,146	308,000

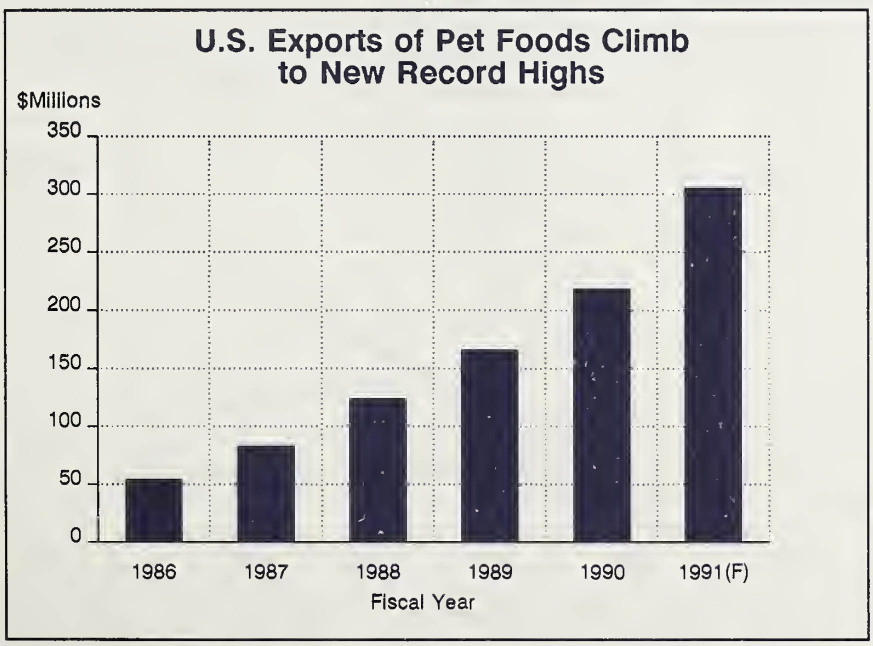
While it might be tempting to credit this growth to reductions of import duties resulting from the U.S.-Canadian Free Trade Agreement (FTA) which went into effect in 1990, Canada already had a relatively low import duty on pet food of 6 percent. The FTA reduced this to 4.2 percent. This is not to say that the U.S-Canada FTA has not influenced the growth. Rather, most U.S. exporters of pet food handle a wide variety of products and, as these companies have expanded overall exports to Canada, there has been a residual effect on pet food exports.

Japan is the second largest U.S. pet food market and the world's largest pet food market. In 1990, U.S. exports to Japan totaled $215 million. In Japan, imports account for more than 30 percent of total use, while in the United States imports account for less than 1 percent of total pet food use. However, Japanese production is growing by 10 percent annually--twice that of consumption.

Commercial pet food use in Japan during the late 1980's grew by nearly 15 percent per year, 3-times the growth rate in the United States. The Japanese market was less than $400 million in 1980, but is expected to reach $3 billion by the mid-1990's, with imports accounting for a majority of sales. Much of the growth in Japan can be attributed to a shift from the traditional habit of feeding leftovers to pets to the use of food products specifically marketed for pets. Also contributing to the expansion is a growing pet population. Currently there are only one-fifth as many pets per capita in Japan as in the United States, but the gap is narrowing.

In 1990, the United States surpassed the EC as the world's largest exporter of pet food.

In the late 1960's, pet food products in Japan were sold through pet food shops. The distribution channels have since widened to include home centers, department stores, and pet food corners within supermarkets and convenience stores. The expansion to supermarkets and convenience stores has had a very positive influence on sales. In 1988, seven companies dominated the pet food market in Japan with roughly 70 percent of total sales, of which three are connected to American brand names. Smaller U.S. companies also export to Japan, most of them selling under private labels.



During the 1980's, share of imported pet food in Japan increased nearly 5 times to almost 30 percent. While the United States is the largest source of imported pet food in Japan, other major competitors include Australia and Thailand, each with about a 20-30 percent market share. Pet food import growth to Japan has been stimulated by the strengthening Yen, aggressive promotion by foreign manufacturers, and overall expansion of the market, especially in the upscale "gourmet" product line.

In order to export more pet food to Japan, U.S. exporters should grasp a better understanding of the Japanese market. The Japanese market differs from the U.S. in many ways. Package size is one example. In Japan, a 4-pound bag of dry dog food would be considered a large package. This is due to differences in shopping frequency and constraints on home storage.

After April 1, 1989 all pet food imports entered Japan duty-free. Although U.S. exports to Japan slowed somewhat after the removal of the import duty, they have since regained their momentum and should set yet another record this year.

As the fastest-growing component of the domestic pet food industry, U.S. exports of pet foods are expanding by leaps and bounds. This recent growth has allowed the United States to move into the top position as the world's foremost supplier of pet foods. With no signs of slowing down, the future looks bright as U.S. exporters diversify and penetrate deeper into new and currently existing markets.

For more information, contact James Johnson, (202) 720-2922

Consumer-Oriented High-Value Exports Continue Rise

Having been in the shadow of bulk commodity exports for decades, high-value consumer-oriented products continue to be a bright spot for U.S. agriculture. In fact, U.S. consumer-oriented exports are at record levels and should exceed $11 billion in fiscal 1991. This represents an increase of nearly 130 percent over the past 6 years. Furthermore, this is not an increase that is concentrated in only one or two big-ticket items--it is very broadly based.

Of the top 16 product categories that make up this sector, 14 will reach record highs this year. Among our top markets, Japan and Canada rank first and second, followed by the EC and Mexico. Together, these markets amounted to more than $7 billion in 1990--almost three-quarters of the entire consumer-oriented total.

Sales of red meats, led by beef and pork, have fueled much of the upward trend and account for one-quarter of all U.S. consumer-ready exports last year, or over $2.3 billion. Since 1986, U.S. exports of fresh, chilled, and frozen red meats have grown 175 percent and are expected to exceed $2.6 billion in 1991. In addition, horticultural products have performed well. Fresh fruit, fresh vegetables, and processed fruit and vegetables, should post record sales of $1.5 billion, $900 million, and $1.3 billion, respectively, in 1991--roughly double their 1986 levels.

Other consumer-oriented products doing well include tree nuts, prepared red meats, poultry meat, juices, nursery products, snack foods, breakfast cereals, wine and beer, and pet foods. In fact, these too will reach all-time highs this year. Several, including fresh vegetables, breakfast foods, and pet foods, will surpass last year's export totals by as much as 35-40 percent.

Japan

Thirty percent of all U.S. consumer-oriented exports were shipped to Japan last year. During this period, exports of $2.8 billion made Japan the largest U.S. market. In addition, the United States is Japan's top supplier, supplying 30 percent of the country's $11.6 billion import market. While the pace of exports to Japan has slowed over the past 3 years, sales in 1991 should rise slightly, reaching $2.9-$3 billion, more than double the 1986 level. Much of this growth is due to trade liberalization which has affected a number of products. Two of the most notable liberalization measures were the Beef and Citrus Agreement and the GATT-11 Agreement.

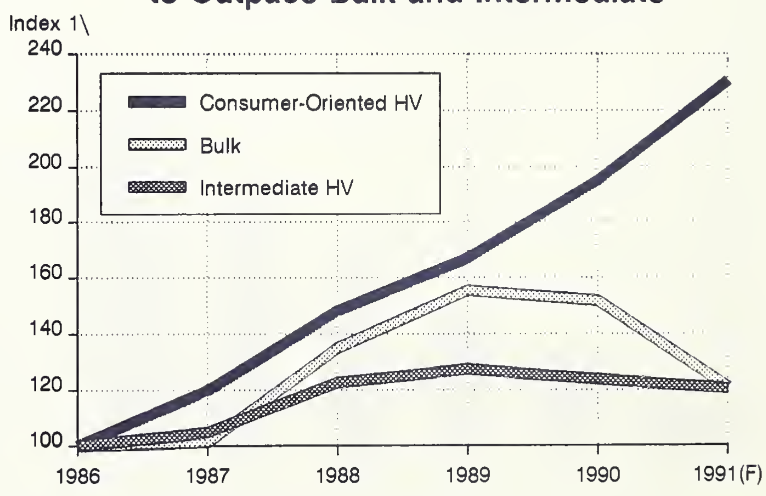
The most recent development of the 1988 Beef and Citrus Agreement, which was signed on April 1 of this year, removed all quotas from red meats. However, tariffs were increased from 25 to 70 percent in order to insulate Japan's domestic industry from the initial shock. Tariff reductions will occur in three stages, and by 1993 they should be reduced to 50 percent. Last year, sales of red meats accounted for $1.4 billion, or almost 50 percent of Japan's total consumer-oriented imports from the United States. Japan's Ministry of Agriculture has indicated that by 1994, imports may account for at least half of their total beef purchases. Earlier last year, the GATT-11 Agreement was responsible for increased market access for tomato products, ice cream, frozen yogurt, fruit purees, pastes, and apple, grape, and pineapple juices. This has led to increased sales over the short-term, with longer-term prospects looking strong as well.

Over the next few years, U.S. food exporters may find considerable growth for processed products, especially health, ethnic, gourmet, and convenience foods. With more than two-thirds of Japanese families now owning microwaves, frozen food sales have increased 28 percent over the past 2 years. Wine and beer imports from the United States increased more than 500 percent since 1986 and are heading for a new high this year of possibly $80 million. U.S. wines now account for 13 percent of all Japanese wine imports. In addition, the Japanese pet food market is expanding to meet the needs of the nation's 7 million dog and 5 million cat owners. Sales of U.S. pet foods should reach $80 million by the end of 1991.

Canada

Total U.S. consumer-oriented food exports to Canada are expected to register more than $3 billion this fis-

Growth of Consumer-Oriented Products Continues to Outpace Bulk and Intermediate



1\ 1986 = 100; Note: HV = High-Value

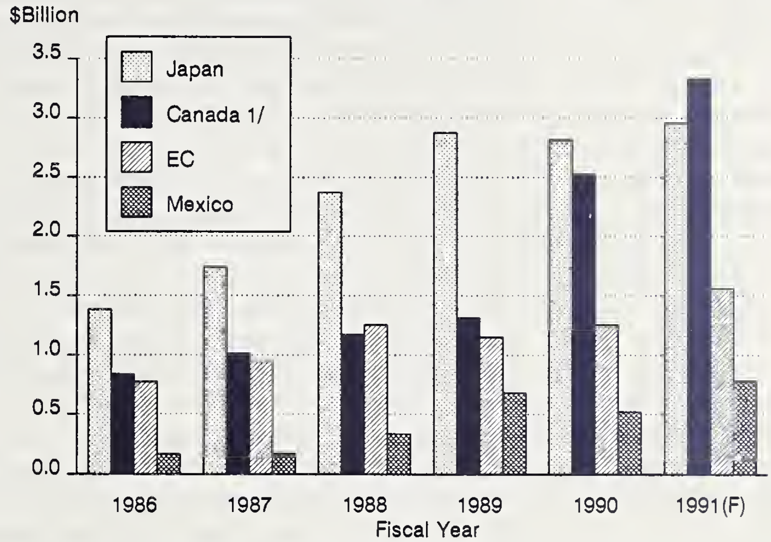
cal year, possibly displacing Japan as the top export market for U.S. consumer-oriented products. The U.S.-Canada Free Trade Agreement and its proposed elimination of all agricultural tariffs over the next 10 years should have a significant impact on the sale of U.S. consumer-oriented products. The United States is already Canada's largest supplier of total food imports as well as its major source for consumer-ready products. Last year alone, U.S. exports accounted for 58 percent of Canada's horticultural and tropical product imports, which are among the highest in the world.

Fresh fruit and vegetables comprise almost 40 percent of Canada's consumer-oriented imports from the United States. U.S. exports of fresh fruit to this market were nearly $470 million in 1990. Canadian demand for fresh U.S. vegetables also outdistanced all other import markets at $519 million. Sales as of August 1991 have already exceeded $680 million and should reach $715 million by the conclusion of the fiscal year. Strong demand is attributed to the short length of Canada's domestic growing season, along with the superior packaging and appearance of U.S. brands. Snack foods are also reaching new levels of popularity in Canada.

European Community

Last year, over $1.2 billion in consumer-oriented food products from the United States made their way to EC markets. This figure has increased nearly 70 percent over the past 5 years, and should rise to an all-time high of $1.57 billion in 1991. Along with France, Germany and the United Kingdom have been the top markets within the Community, accounting for well over half of all sales to the EC market. Almost one-fourth of U.S. tree nut exports, or $166 million, were sent to Germany last year. U.S. exports to Great Britain of processed fruit and vegetables also did well in 1990, which at $77 million, exceeded their 1986 total by $36 million. More growth in this area is expected as the U.K.'s total imports of U.S. consumer-oriented products are predicted to hit a new high this year of at least $300 million. At the same time, the Netherlands and Belgium-Luxembourg markets should top $200 million and $100 million, respectively--also record highs.

Top 4 U.S. Consumer-Oriented Markets Reflect Increased U.S. Sales



1/ U.S. export statistics to Canada were under-reported prior to 1990.

Mexico

Mexico's consumer-oriented imports from the United States totaled $516 million last year, higher than any single EC country. The figure for 1991 could reach $700 million. The United States' southern neighbor has recently emerged as a promising growth prospect for U.S. food exports. Changes in policy have led to greater imports of high-value food items such as high-quality beef, wine, and many other processed foods. U.S. shipments of red meats to Mexico have more than quadrupled since the mid-1980s. In 1990, they accounted for $182 million, or over 35 percent of Mexico's consumer-oriented imports from the United States, and could reach $330 million by year's end. U.S. sales of poultry meat to the Mexican market have grown by more than 600 percent during the past 5 years and may reach $100 million in 1991. An estimated 20 million middle-class Mexican consumers offer the best target for increased U.S. sales of consumer-oriented high-value products to the country. As the Mexican economy becomes increasingly liberalized, consumers are expected to spend more of their rising incomes on higher-priced, better quality food imports. Strides toward full economic recovery and the start of recent negotiations with the United States and Canada to form a North American Free Trade Area are the strongest evidence yet of Mexico's market potential.

Clearly, outstanding progress has been made in many consumer-oriented export markets and the opportunities appear endless. The next decade should be both challenging and rewarding as U.S. exporters continue to satisfy a greater diversity of consumer preferences around the world.

For more information, contact Karen Halliburton, (202) 720-1299.

Trade Policy Updates

Resolution on Corn Gluten Feed

On Sept. 24, 1991, following consultations under GATT Article XXIII.1 on corn gluten-feed (CGF), the United States and the EC have agreed on starch and fat limits for corn gluten feed of 28 percent and 4.5 percent, respectively. The EC relinquishes its claim that CGF may not contain corn germ meal, and will apply the remedy retroactively to Jan. 1, 1991. The U.S. government reserves in full the duty-free concession reached under the Kennedy Round in 1967.

EC Relists U.S. Meat Plants

The EC has relisted another 10 U.S. meat plants (seven pork and three beef) as eligible to ship meat to the Community, effective October 14. Four U.S. beef plants had already been relisted by the EC as eligible to export meat to the EC as of October 1. Three U.S. plants (one beef and two pork) of the 19 inspected by EC veterinarians in August would require re-inspection prior to relistment. The U.S. government is now prepared to move on to Phase II of the May agreement to resolve this issue, that is, the determination of equivalency between the U.S. and EC inspection systems.

EC Extends $615-Million Credit to Soviet Union and Eastern Europe

Pressed by rising concern over lower-priced eastern European agricultural goods flooding their domestic markets, EC foreign ministers on September 30, agreed to allow purchases of non-EC foodstuffs under its 50-million ECU credit guarantee program to aid the Soviet Union. This "triangular" program will seek to revive traditional trade patterns by providing financing for Soviet purchases of foodstuffs from east European and Baltic countries. Questions regarding potential sources and the amount of food purchases from non-EC countries are not yet resolved.

EC Increases Eastern Europe Meat Quota

Ending the deadlock over further negotiation of new association agreements between the EC and former bloc countries, EC foreign ministers on September 30 agreed to increase EC purchases of meat from Poland, Hungary, and Czechoslavakia at lower tariff rates. However, meat purchased by the Soviets from the three countries under the "triangular" credit guarantee program (see above) will be deducted from the extra quota.

Chile and Mexico Sign Free Trade Agreement

Chile and Mexico signed a Free Trade Agreement (FTA) on Sept. 22, 1991 that calls for the reduction of import tariffs to zero by 1998. The agreement, which is the first Mexico has signed with another Latin American country, will initially fix a common tariff of 10 percent between the two countries. For most products, tariffs will be reduced by 2.5 percent per year until they reach zero. While the FTA will cover nearly all commodities traded between the two countries, it does provide for exceptions including Chile's price band commodities (wheat, sugar, and vegetable oils) and their derivatives, along with Mexico's petroleum and petroleum products. The Chileans expect their exports to Mexico to increase around $200 million per year, with fruit exports increasing by $25 million and bean exports increasing by $20 million.

Food Sales to Iraq

Although Iraq has not yet accepted U.N. Resolution 706--the proposal to sell $1.6 billion worth of oil in exchange for food, medicine, and war reparations--as of mid-October, the United Nations has developed guidelines for the program. Under the program, almost all food imports would be purchased directly by the Iraqi government, probably leaving little room for large scale U.S. sales. There are better prospects, however, for residual U.S. shipments under the World Food Program, administered by U.N. agencies.

India Announces New Almond Import Procedure

On Sept. 20, 1991, the Ministry of Commerce issued public notices which establish the almond import policy for the last 6 months of Indian Fiscal Year 1991 (IFY--April 1991-March 1992). Almond import licenses will be issued to each of the approximately 8,000 firms which received import licenses in IFY 1990/91 and meet certain requirements. The value of these licenses may not exceed $1300 per firm, and will only be issued to firms which can prove that they have exported goods and received foreign exchange in their own name equal to at least the amount of the import licenses for which they are applying. All license applications had to be received by October 15. With an estimated value of almond imports during the first half of the fiscal year of $10 million, the potential license availability under the new policy brings the total to slightly over $20 million (in accordance with the United States/India Almond Import Understanding). U.S. exporters and Indian trading companies, however, are concerned that the stringent export performance requirement and cap on license availability will make it unlikely that more than 30-50 percent of the new licenses will be utilized.

Venezuela Creates Import Restriction on Feed Wheat and Liberalizes Sweet Corn and Meat

In order to prevent the importation of feed wheat during the Venezuelan sorghum harvest, the Government of Venezuela (GOV) has created a new tariff category for wheat with 10 percent damaged kernels or 10 percent broken kernels. The duty is fixed at 40 percent ad valorem plus a specific duty of 20,000 bolivares per ton. The average duty for wheat into Venezuela is 10 percent ad valorem. The GOV has eliminated the licensing requirement on canned sweet corn, leaving imports subject only to a 20-percent ad valorem tax. The import duty for meat products was lowered from 30 percent to 20 percent, but most ham and poultry products are subject to discretionary import licensing.

New Zealand to Further Reduce Agricultural Tariffs

On Sept. 16, 1991, the Government of New Zealand announced a program of continued tariff reductions under which agricultural tariffs will be reduced by one-third between 1993 and 1996. Due to concerns with current high unemployment, the plan is "back-loaded" to some extent, with more rapid reductions at the end of the period. The long-term implications for trading partners will depend on New Zealand's willingness to bind the lower levels in the Uruguay Round Agricultural Trade Negotiations.

New Zealand Explores Joining the North American Free Trade Area Agreement (NAFTA)

On Oct. 4, 1991, New Zealand's Prime Minister Bolger told a group of businessmen that given the likely emergence of large new trading blocks, New Zealand should explore joining NAFTA. New Zealand and Australia have commissioned a study of possible economic linkages between NAFTA and the Australia-New Zealand free trade area agreement.

Meat Imports Projected Below 1991 Quota Trigger Level

On Oct. 1, 1991, Secretary of Agriculture Edward Madigan announced that U.S. meat imports for calendar year 1991 are projected at 1,318.4 million pounds--100,000 pounds below the level that would require quotas on imports. Madigan said that the United States will not have to impose the quota because Australia and New Zealand, the two largest suppliers of imported meats, have agreed to limit their meat exports to the United States for the rest of the year. The Meat Import Act of 1979 requires the President to restrict imports of certain meats--primarily fresh beef and veal--if the U.S. Department of Agriculture estimates that imports will equal or exceed a trigger level set at the beginning of each calendar year. The trigger level, determined by formula in the Act, is 1,318.54 million pounds for 1991.

...Trade Policy Updates

Czechoslovakia Seeks a GATT Waiver on Tariffs

Czechoslovakia has requested a waiver under the GATT Article XXV:5 to suspend its tariff schedule for at least 1 year beginning Jan. 1, 1992. The request aims at raising tariff levels in a number of sectors which deem to require increased protection. Agricultural products affected include live animals, animal products, vegetable products, animal and vegetable fats, and processed foods. As of mid-October, the U.S. government was seeking consultations to modify the terms of the waiver.

Materials Available

- Agricultural Trade Policy and Trade for Central and Eastern Europe (Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Romania, and Yugoslavia)--Revised October 1991
- U.S./Soviet Grain Trade (Revised September 1991)
- Trade Policies and Market Opportunities for U.S. Farm Exports: 1990 Annual Report (August 1991)
- Helping Small and Disadvantaged Businesses Export Food and Agricultural Products (August 1991)
- Most-Favored Nation (MFN) Status for Eastern Europe and the Soviet Union (August 1991)
- U.S. Legislation to Counter Unfair Foreign Trade Practices (Revised May 1991)

The Trade Policy Updates are prepared monthly by the Trade Assistance and Planning Office, Foreign Agricultural Service, U.S. Department of Agriculture. Interested U.S. parties may send requests for copies of Fact Sheets and reports listed above to the *Trade Assistance and Planning Office, 3101 Park Center Drive, Suite 1103, Alexandria, VA 22302. Tel: (703) 305-2771, FAX: (703) 305-2788.*

Market Updates

Soviets Flood International Cotton Market With Low-Priced Cotton

The sudden change in the relationships between the Soviet Union and its cotton-producing republics had cast a degree of uncertainty over Soviet cotton production and exports. However, Soviet exporting agencies are currently offering upland cotton from both MY 1990/91 (August-July) supplies and the 1991/92 crop year in Northern Europe at prices lower than competitive suppliers. Trade sources indicate that excessive exportable supplies from last year's crop encouraged Soviet exporters to discount prices in global markets. Also, an urgent need for foreign exchange will likely keep Soviet prices low throughout the 1991/92 marketing year. Soviet cotton exports are expected to reach 3 million bales in the 1991/92 marketing year, 1 million bales more than 1990/91.

United States-EC Canned Fruit Consultations Held

U.S. and EC delegations met in Brussels on Sept. 13, 1991 to discuss EC compliance with the Canned Fruit Agreement. The EC agreed the green ECU exchange rate used in calculating EC processing subsidies for peaches and pears was distorted, but said it would need to determine if the Commission had a legal basis under EC regulations to use any other market rate. The EC said it did not see the necessity of changing subsidy levels to bring the Community into compliance for this year, a point which the United States' side vigorously challenged.

Foreign Agricultural Service analysis indicates that the EC's MY 1991/92 processing subsidies for peaches and pears would result in subsidization of the processing operation, a clear violation of the Agreement. Under Section 306 of the 1988 Trade and Competitiveness Act, a violation would require USTR to take action. USEC Brussels will contact the Commission Sept. 20, 1991 to seek its legal interpretation of the exchange rate question.

Unites States-EC Wine Agreement Negotiations Held

United States Government and EC Commission representatives met in Brussels on Sept. 12, 1991 to continue negotiations begun earlier this year on a new agreement regulating wine trade. The EC demonstrated new flexibility on reducing market access obstacles posed by its requirements on enological (winemaking) practices and import certification, but linked progress on these points to a U.S. commitment not to expand the list of semigeneric wine terms and to discuss reductions to the list. The United States held that it could not make such a commitment since it would compromise the U.S. rule-making process. The two sides expect to meet again in early October. Current EC derogations allowing imports of U.S. wines into the EC expire Oct. 31, 1991.

Nicaragua Begins Restricting Poultry Meat Imports

The Government of Nicaragua (GON) announced that beginning Sept. 13, 1991 no more chicken parts will be imported into Nicaragua without a proper import license. Monthly import quotas will be announced and chicken parts will still be subject to the current 25-percent import duty. The quantitative restrictions come in direct response to the recent increases in chicken parts imported into Nicaragua, mainly from the United States. In an effort to reduce domestic prices, the GON eased restrictions on poultry meat imports in early 1991. U.S. chicken parts are 20 to 40 cents per pound cheaper than locally produced whole birds. The United States went from exporting no broiler parts in January 1991, to averaging over 760 tons per month, currently. Subsequent political pressure from domestic producers resulted in the GON's latest move to restrict imports again.

Germany Extends Grain Credits to USSR

Germany granted its first-ever grain credit line to the Soviet Union which will enable it to purchase 1 million tons of barley and 500,000 tons of wheat. The grains, slated for November-June delivery, are expected to be shipped from the eastern part of Germany. Huge stocks (notably in eastern Germany), coupled with increased production, undoubtedly were major factors in the government's decision to offer the credits.

Additional Horticultural Products Approved for Credit Guarantee Coverage

On Sept. 17, 1991, USDA added fresh and processed fruits and vegetables and additional tree nuts to the list of horticultural products that are price reviewable and thus can qualify for GSM-102 and GSM-103 coverage on export credit sales. Horticultural products have not been routinely exported under these programs. In 1991, hops and almonds to the USSR were the only horticultual products exported with credit guarantees. Credit guarantees could pave the way for future increased sales of U.S. horticultural products to selected countries in the increasingly competitive world market.

Trade Disruption Predicted if New EC Plant Certification Enacted

The Dutch Product Board for margarine, fats, and oils is opposing the new EC guidelines for legislation regulating renderers because they are concerned it will disrupt imports from the United States and others. Currently, imports of inedible animal fats that are not certified are permitted for industrial uses (animal feed, chemicals, and pharmaceuticals). Trade sources estimate that trade valued at $30 million from the United States would be severely limited.

New Tariff Formula to Make U.S. Soybeans More Competitive in the Philippines

An agreement was reached on a new formula to calculate the Philippines' soybean import tariff that will benefit U.S. soybeans over China's soybeans, as a result of a meeting between the U.S. Agricultural Counselor and Bureau of Customs officials. The new formula will be implemented beginning this month, and is expected to make U.S. soybeans more competitive in the Philippine market. A $10-per-ton savings to importers is expected under this new formula. Although U.S. soybeans are preferred in the Philippines, China is a major competitor because of price and location advantages.

Potential for Policy Changes in Egypt Affecting U.S. Cotton Exports

For the first time, Egypt has imported cotton samples from other exporting countries for testing. Due to stringent phytosanitary requirements, the United States is currently the exclusive supplier for Egypt's cotton import needs. Under the auspices of the Egyptian Cotton Authority, the suitability of varieties from Syria, Turkey, and the USSR were tested in Egyptian spinning mills. The Government declared that the test was performed in order to vary the sources of imported cotton, with intentions of obtaining competitive quotes for future purchases. If these tests are successful and the suppliers can meet the Egyptian phytosanitary requirements, U.S. cotton exports may decline.

Taiwan Claims U.S. Grapes are Poisoned by Pesticides

The Taiwan chapter of Greenpeace, using United Farm Worker materials, recently claimed that California grapes contain agricultural pesticides which are banned in Taiwan. Subsequently, the Ministry of Health tested several shipments and announced through the press that no residues were detected. However, stepped up testing is likely in the future. Although some orders were canceled following the report, recent representations by the Agricultural Officer in Taipei and U.S. industry representatives have apparently been successful in reducing consumer concerns.

Government of Brazil Raises Minimum Prices and Credit Availabilities to Cotton Growers

As of September 1, the Government of Brazil raised the Minimum Support Price for all commodities, including cotton. In addition, the Brazilian Government adjusted upward by 24 percent the Basic Production Cost Structure (VBC), a theoretical cost for each crop used to determine credit availability for farmers. Authorities are attempting to minimize the effects of inflation (estimated at 1,000 percent through 1990) on input costs, which could affect planting prospects for the MY 1991/92 crop. The Brazilian Government's policies may ensure the maintenance, or increase, of Brazil's domestic cotton production and exports. Since Brazil is a major exporter of cotton, U.S. exports to Brazil and to other world markets could be affected.

Sunflower Seed Oil to Morocco

Trade opportunities for U.S. exports of soybean oil and sunflowerseed oil under the Export Enhancement Program (EEP) and P.L. 480 to Morocco have improved. Vegetable oil imports are likely to increase 50,000 tons, partially because of reduced Moroccan sunflower seed production. Morocco currently imports soybean oil, but the projected decline in sunflower seed production could create sunflower seed oil opportunities as well.

Soviets Agree to Purchase 200,000 Tons of Canadian Corn

The Soviets recently signed an agreement to purchase 200,000 tons of Canadian corn on easy-credit terms. To expedite matters and speed shipments, the Soviets have reportedly waived the usual requirement to have the corn shipped on Soviet vessels, indicating the urgency of their needs. Canada is normally a net importer of corn, however, record production in 1990 and high stock levels have caused Canada to have increased exportable supplies.

U.S. Butter Prices Surge Due to Short Private Sector Supplies and DEIP Exports

U.S. butter prices have jumped on the Chicago wholesale markets reflecting tightening short-term private sector supplies in the domestic market and increased export activity. Grade AA wholesale prices for butter increased 6.25 cents per pound reaching $1.095, slightly higher than the $1.08 Commodity Credit Corporation "sellback" price from government storage. Traders, now able to save a cent-and-a-half per pound by buying from the Government, have responded quickly to the new market conditions. On September 23, a CCC sale of 300 tons to traders from CCC stocks was reported.

Underlying the changes in the butter market are spillover effects from the U.S. cheese market. Increasing cheese prices in recent months have reportedly diverted milk supplies from the manufacture of butterfat. As a result, it has become more difficult for the trade to source butter from central U.S. markets. With the recent announcement of 3,000 tons of additional DEIP butteroil sold to Algeria (this makes 8,000 tons of DEIP butterfat awards to Algeria for 1991), upward pressure on butter prices is expected to continue for the near term. Current uncommitted CCC stocks as of Sept. 9, 1991, were 233,000 tons, down 10 percent from early June. According to USDA estimates, desirable uncommitted CCC stocks are said to be less than 100,000 tons.

USDA Liberalizes GSM-102 Credit Guarantees to the Soviet Union

On Sept. 24, 1991, USDA announced that CCC is liberalizing coverage of the approximately $200 million still available in credit guarantees to the Soviet Union for fiscal year 1991. The CCC will now guarantee 100 percent of the principle of loans for sales under the GSM-102 program. The action also increases the coverage of the loan interest to a rate equal to the coupon equivalent yield of the 52-week U.S. Treasury bill auction average.

Subsidy for Canadian Farmers

Canada announced a $700-million farm aid package which in addition to the subsidies already announced, brings the total support level to Canadian farmers to nearly $3 billion. These payments insulate Canadian farmers from low world wheat prices. However, in contrast to the United States, Canadian producers do not have to hold land out of production in order to qualify for these payments. Consequently, Canadian grain production has been increasing in the last few years despite low world prices, and with this high level of support, production could continue to increase in the future.

Yugoslavia to Export More Corn

Yugoslavia has a huge exportable surplus of corn with new crop estimates indicating a near-record harvest. In recent years, Yugoslavia has exported only limited quantities of corn, but this year may export 1 million to 2 million tons if internal strife does not interfere with trade. The USSR, based on past trading patterns, is likely to be the primary market.

United States May Lose Share in Japan Corn Market

Recent purchases of South African corn by Japan may displace corn exports from the United States, eroding some of the U.S. market share. Japan is our largest consistent corn buyer and we traditionally supply over 80 percent of their corn imports. The South African yellow corn, valued by the Japanese for its high-starch yield, was purchased at a 40-cent-per-bushel premium over the price of U.S. corn. South Africa may have 1.2 million tons of exportable surplus for shipment during the next 6 months.

Chinese Corn Exports to U.S. Markets in Far East Asia Soar

Chinese corn exports have hit a record level (6.8 million tons) for fiscal 1991 with more than 65 percent of the total going to two major U.S. markets, South Korea and Japan. Taken together, the import needs of these two corn markets normally range between 21 and 23 million tons annually, and have been met mostly by U.S. corn exports. However, with the sharp increase in Chinese exportable supplies of corn, attractive export prices, and the need for hard currency, China may continue to export record quantities of corn to these two major U.S. markets.

Argentina Displaces U.S. Sorghum

With tight U.S. sorghum supplies and relatively high prices constraining exports, Argentina's farmers have indicated they will plant 15 percent more area for sorghum than last year. This additional acreage could provide another 600,000 tons to 800,000 tons of exportable supplies in a year when global import demand is rising, and U.S. exports are forecast to be the lowest in the past 6 years. The United States normally provides 75-80 percent of the world's sorghum, but smaller supplies and Argentina's expanded supplies could sharply reduce the U.S. export market share this year.

Argentine Soybean Market Tightens

The tight 1991/92 supply situation for Argentine soybeans has increased competition between crushers and exporters as they vie for available supplies. Soybean supplies are short by approximately 200,000 tons after taking into consideration current export registrations and soybean meal registrations through the month of September. One sign of the tightening market has been an increase in the minimum f.o.b. export price set by the Argentine National Grain Board to $234 for October-April shipments. The current soybean deficit was brought on in part by an over-sold Brazilian soy complex which led to an increase in Argentine soybean export registrations.

Canadian Grain Exports Halted Again Due to Nationwide Strikes

A second walk-out of Canadian civil service workers, including federal grain inspectors and weighers, has held up shipments and delayed contracts for Canadian grain. This walk-out occurred just as the system was gearing back up from the 9-day walk-out in early September. Since this is traditionally one of the heaviest shipping periods for Canadian grains, prospects that Canadian grain exports will hit a record 31 million tons in 1991/92 are dimming despite record exportable supplies. The second walk-out could cause importers to purchase grain elsewhere, even if the strike ends quickly.

Mexican Import Demand for Sorghum Increases

Mexico's import demand for U.S. sorghum is likely to be sharply higher in 1991/92 because of reduced crop prospects. Sorghum is Mexico's major feedgrain and virtually all imports are purchased from the United States. However, with tight U.S. supplies and stronger Mexican import demand stimulating prices, Mexico may purchase sorghum from Argentina or switch to corn imports for feed.

CCC Reallocates GSM-102 Credit Guarantees to the USSR for FY 1991

On September 27, CCC re-allocated approximately $900,000 in credit guarantees to the Soviet Union under the GSM-102 program. The action increased the credit line for protein meals and reduced the credit lines for almonds, hops, and soybeans.

CCC GSM-102 Amendments

Ecuador -- CCC has re-allocated $500,000 in credit guarantees in connection with sales under the GSM-102 program to Ecuador. The action increased the tallow and greases line, and reduces the wheat line.

Yemen -- CCC has re-allocated $2.85 million in credit guarantees in connection with sales of protein meals to Yemen under the GSM-102 program. The action creates a $2.85-million guarantee line for protein meals and reduces the feed grains line by $2.85 million.

Panama -- CCC has re-allocated $2 million in credit guarantees to establish a credit guarantee line for sales of wheat to Panama under the GSM-102 program for fiscal year 1991. The action reduces the solid wood products line by $2 million.

Venezuela -- CCC has re-allocated $6 million in credit guarantees to Venezuela under the GSM-102 program. The action established a vegetable oil line at $6 million and reduced the protein meal line by the same amount.

CCC Announces GSM-102/103 Credit Guarantees to Certain Countries for FY 1991

CCC announced credit guarantee lines under the GSM-102 program for the following countries for fiscal year 1992: Ghana $5 million, Tunisia $20 million, Kuwait $25 million, Algeria $460 million, Mexico $1.25 million, Panama $3 million, El Salvador $30 million, Chile $50 million, Colombia $100 million, and Senegal $15 million.

CCC also announced GSM-103 credit guarantee lines for the following countries for fiscal year 1992: Tunisia $35 million, Algeria $40 million, Jordan $10 million, Argentina $2 million, Panama $10 million, and Mexico $30 million.

P.L. 480 Title I Cumulative Sales to-date

Fiscal year 1991 P.L. 480 Title I sales registered to date total $394 million (about 2.7 million tons). Purchases have been made by Congo, Costa Rica, Cote d'Ivoire, Egypt, El Salvador, Guatemala, Guyana, Jamaica, Morocco, Philippines, Sierra Leone, Sri Lanka, Tunisia, Yemen, and Zaire.

P.L. 480 Commodity Mix for FY 1992

CCC announced the commodities eligible for programming under P.L. 480 for fiscal year 1992. Commodities added to the list include Atlantic Mackerel, peanuts, peanut oil, peanut meal, butter, and butter oil.

Export Enhancement Program (EEP)

The total amount awarded under the Export Enchancement Program (EEP) including the 5-percent upward tolerance is $934,682,412.31.

September 13. USDA accepted bids for 673,000 tons of barley to Saudi Arabia.

September 16. USDA accepted bids for 23 tons of whole frozen broilers to Bahrain and 126,600 tons of barley to Saudi Arabia.

September 19. USDA accepted bids for 600,022 dozen medium white table eggs to the United Arab Emirates.

September 20. USDA accepted bids for 200,000 tons of northern/dark northern spring wheat to Egypt.

September 23. USDA accepted bids for 100,000 tons of northern/dark northern spring wheat to Egypt and 1,000 tons of long grain milled rice to Czechoslovakia.

September 24. USDA accepted a bid for 1,000 tons of long grain milled rice to Czechoslovakia.

September 25. USDA accepted bids for 300 tons of whole frozen broilers to Saudi Arabia and 35,000 tons of wheat to the Philippines, including 8,500 tons of western white and 26,500 tons of northern/dark northern spring.

EEP (Continued)

September 26. USDA accepted bids for 299,750 tons of wheat to the Soviet Union, including 269,750 tons of hard red winter and 30,000 tons of northern/dark northern spring, 51,250 tons of northern/dark northern spring wheat to West and Central African Countries, 50,000 tons of barley to Jordan, and 300 tons of whole frozen broilers to Oman.

September 27. USDA accepted bids for 80,500 tons of northern/dark northern spring wheat to West and Central African Countries, 50,000 tons of hard red winter wheat to Jordan, and 70,000 tons of wheat to the Philippines, (20,000 western white and 50,000 northern/dark northern spring).

September 30. USDA accepted bids for 204,675 tons of wheat to the Soviet Union (25,000 northern/dark northern spring and 179,675 hard red winter), 50,000 tons of hard red winter wheat to Jordan, 6,500 tons of soybean oil to Tunisia, 6,400 tons of barley to Israel, and 20,000 tons of barley malt to the Philippines.

October 1. USDA accepted bids for 3,500 tons of soybean oil to Turkey.

October 2. USDA accepted bids for 35,000 tons of wheat to the Philippines (11,000 western white and 24,000 northern/dark northern spring) and 6,000 tons of whole frozen broilers to Jordan.

October 3. USDA accepted bids for 245,500 tons of wheat to the Philippines (70,500 western white and 175,000 northern/dark northern spring), 500 tons of barley malt to Nicaragua, 3,900 tons of rice to Eastern European Countries (2,400 long grain milled rice to Czechoslovakia and 1,500 medium grain milled rice to Poland).

October 4. USDA accepted bids under for 49,875 tons of northern/dark northern spring wheat to the Soviet Union, 29,850 tons of hard red winter wheat to Norway, and 1,500 tons of soybean oil to Turkey.

October 7. USDA accepted bids for 1,500 tons of whole frozen broilers to Saudi Arabia and 29,700 tons of barley to Israel.

October 8. USDA accepted bids for 999,800 tons of wheat to China (819,800 tons of hard red winter and 180,000 tons of hard red spring), and 1,200 tons of barley malt (1,100 tons to Honduras and 100 tons to Nicaragua).

October 10. USDA accepted bids for 770,580 tons of wheat to the Soviet Union (687,580 tons of hard red winter and 83,000 tons of northern/dark northern spring), 25,000 tons of hard red winter wheat to Tunisia, and 29,944 tons of wheat to the Philippines (23,000 tons of northern/dark northern spring and 6,994 tons of western white).

Dairy Export Incentive Program (DEIP)

September 13. USDA accepted bids under the DEIP for 61 tons of butter oil to the Canary Islands and 40 tons of butter to Nicaragua.

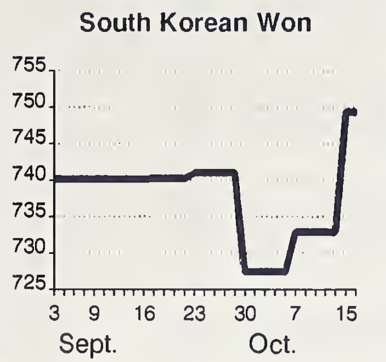
September 16. USDA accepted a bid for 1,910 tons of nonfat dry milk to Algeria.

September 24. USDA accepted a bid for 34 tons of nonfat dry milk to the Bahamas.

September 26. USDA accepted bids for 5,000 tons of butter oil to Algeria and 544 tons of whole milk powder to Senegal.

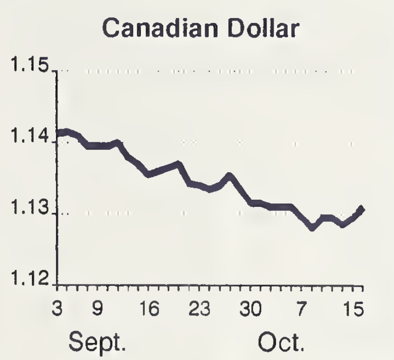
September 30. USDA accepted a bid under the DEIP for 122 tons of butter oil to Peru.

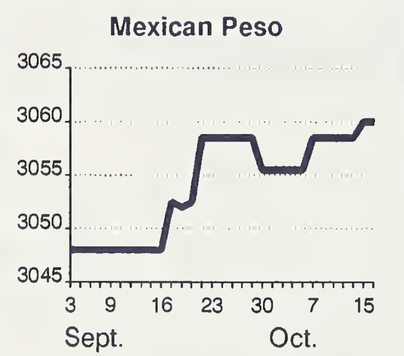
Exchange Rate Movements Of Major World Currencies Vis-a-Vis U.S. Dollar -- Daily Spot Quotations (Sept. 1 - Oct. 16, 1991)

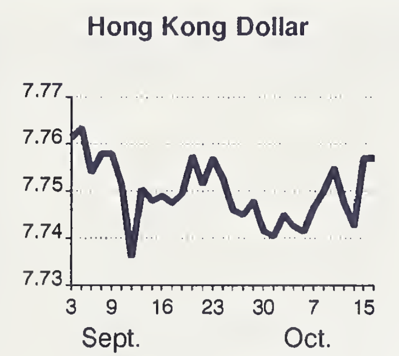


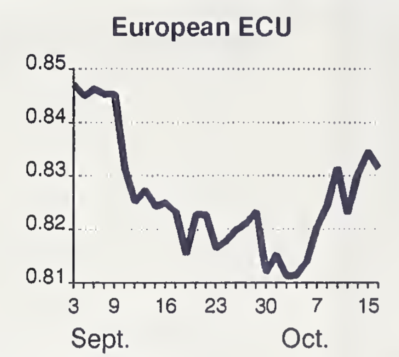
Currencies	Current Rate 10/16/91	Week Ago 10/9/91	Month Ago 9/16/91	% Change Year Ago 10/90
Argentine Austral	9902.95	9903.93	9917.00	82.07
Australian Dollar	1.2571	1.2579	1.2558	-1.26
Brazilian Crusado	578.00	538.00	410.31	546.24
Canadian Dollar	1.1310	1.1295	1.1355	-2.16
Hong Kong Dollar	7.7550	7.7550	7.7490	-0.15
Japanese Yen	130.10	129.75	134.00	2.52
Mexican Peso	3060.00	3058.00	3048.00	5.34
Taiwan Dollar	26.36	25.25	26.26	-1.61
South Korean Won	749.35	932.94	740.15	4.80
European ECU	.83146	.83152	.82495	12.41
-British Pound	.5855	.5814	.5777	15.03
-French Franc	5.8100	5.7510	5.7440	14.69
-West Germ Mark	1.7050	1.6890	1.6870	12.76

NOTE: Exchange rates are daily spot quotes as of 3:00 PM Eastern Time, October 16, 1991.
Source: TEID/ITP/FAS Exchange Rate Database and *Wall Street Journal.*









U.S. Agricultural Exports by Major Commodity Group

Monthly & Annual Performance Indicators Including Fiscal 1991 Forecasts

	August			October–August			Fiscal Year		
	1990	1991		1989–90	1990–91		1990	1991(f)	
	––Bil.$––		Change	––Bil.$––		Change	––Bil.$––		Change
Grains & feeds 1/	1.203	1.081	–10%	15.046	11.486	–24%	16.019	12.5	–22%
Wheat	0.327	0.287	–12%	3.884	2.576	–34%	4.224	3.0	–29%
Wheat flour	0.010	0.016	54%	0.190	0.186	–3%	0.202	NA	NA
Rice	0.046	0.052	14%	0.764	0.689	–10%	0.830	0.8	–4%
Feed grains 2/	0.557	0.493	–11%	7.598	5.214	–31%	7.962	5.7	–28%
Corn	0.465	0.424	–9%	6.625	4.492	–32%	6.929	4.9	–29%
Feeds & fodders	0.173	0.146	–15%	1.700	1.765	4%	1.812	NA	NA
Oilseeds & products	0.343	0.388	13%	5.920	5.299	–10%	6.253	5.7	–9%
Soybeans	0.181	0.202	11%	3.759	3.300	–12%	3.939	3.5	–11%
Soybean meal	0.061	0.080	31%	0.948	0.865	–9%	0.990	1.0	1%
Soybean oil	0.022	0.020	–9%	0.301	0.161	–47%	0.339	0.2	–41%
Other vegetable oils	0.035	0.039	10%	0.370	0.381	3%	0.394	NA	NA
Livestock products	0.449	0.452	1%	4.946	5.086	3%	5.418	5.6	3%
Red meats	0.198	0.197	–0%	1.987	2.280	15%	2.181	NA	NA
Hides & Skins	0.144	0.102	–29%	1.643	1.336	–19%	0.468	NA	NA
Poultry products	0.077	0.085	10%	0.787	0.921	17%	0.856	1.0	17%
Poultry meat	0.057	0.060	5%	0.575	0.665	16%	0.624	NA	NA
Dairy products	0.022	0.038	71%	0.349	0.326	–7%	0.342	0.3	–12%
Horticultural products	0.421	0.469	12%	4.684	5.532	18%	5.154	5.8	13%
Unmanufactured tobacco	0.062	0.084	34%	1.286	1.471	14%	1.373	1.5	9%
Cotton & linters	0.194	0.070	–64%	2.573	2.558	–1%	2.719	3.0	10%
Planting seeds	0.044	0.035	–20%	0.519	0.562	8%	0.580	0.6	3%
Sugar & tropical products	0.126	0.132	5%	1.290	1.443	12%	1.401	1.5	7%
Forest Products 4/	0.569	0.557	–2%	5.953	5.908	–1%	6.431	NA	NA
Total Ag. export value	2.942	2.833	–4%	37.401	34.686	–7%	40.118	37.5	–7%

	––MMT––		Change	––MMT––		Change	––MMT––		Change
Grains & feeds 1/	8.761	8.356	–5%	106.453	87.625	–18%	113.555	NA	NA
Wheat	2.466	2.624	6%	25.292	24.189	–4%	28.095	27.0	–4%
Wheat flour	0.055	0.083	51%	0.824	0.997	21%	0.88	1.0	14%
Rice	0.141	0.148	5%	2.291	2.240	–2%	2.502	2.4	–4%
Feed grains 2/	4.721	4.472	–5%	65.817	47.829	–27%	69.031	51.7	–25%
Corn	3.898	3.820	–2%	57.270	41.079	–28%	59.878	44.5	–26%
Feeds & fodders	1.173	0.891	–24%	10.396	10.419	0%	11.065	11.4	3%
Oilseeds & products	1.208	1.461	21%	22.897	20.616	–10%	24.046	NA	NA
Soybeans	0.761	0.899	18%	16.469	14.409	–13%	17.217	15.2	–12%
Soybean meal	0.287	0.364	26%	4.353	4.141	–5%	4.558	4.7	3%
Soybean oil	0.038	0.042	13%	0.554	0.291	–48%	0.614	0.3	–51%
Other vegetable oils	0.051	0.062	21%	0.588	0.578	–2%	0.618	NA	NA
Livestock products 3/	0.202	0.194	–4%	2.176	2.108	–3%	2.381	NA	NA
Red meats	0.060	0.061	1%	0.616	0.679	10%	0.676	0.7	4%
Poultry products 3/	0.052	0.052	–0%	0.528	0.591	12%	0.564	NA	NA
Poultry meat	0.051	0.049	–3%	0.515	0.565	10%	0.56	0.6	7%
Dairy products 3/	0.012	0.025	104%	0.208	0.198	–5%	0.214	NA	NA
Horticultural products 3/	0.341	0.361	6%	4.170	4.682	12%	4.565	5.0	10%
Unmanufactured tobacco	0.010	0.013	30%	0.206	0.229	11%	0.22	0.2	–9%
Cotton & linters	0.121	0.043	–64%	1.611	1.560	–3%	1.703	1.8	6%
Planting seeds	0.080	0.044	–45%	0.461	0.411	–11%	0.578	NA	NA
Sugar & tropical products 3/	0.075	0.114	53%	0.772	1.064	38%	0.921	NA	NA
Total Ag. export volume 3/	10.86	10.66	–2%	139.48	119.08	–15%	148.75	129.0	–13%

NA = Not available.

1/ Includes pulses, corn gluten feed, and meal.

2/ Includes corn, oats, barley, rye, and sorghum.

3/ Includes only those items measured in metric tons.

4/ Wood products are not included in agricultural product value totals.

Note––1991 forecasts are taken from "Outlook for U.S. Agricultural Exports," Aug. 29, 1991.

U.S. Agricultural Export Value by Region

Monthly and Annual Performance Indicators Including Fiscal 1991 Forecasts

	August 1990	August 1991		October–August 1989–90	October–August 1990–91		Fiscal Year 1990	Fiscal Year 1991(f)	
	--Bil.$--		Change	--Bil.$--		Change	--Bil.$--		Change
Western Europe	0.411	0.429	4%	6.891	6.842	–1%	7.289	7.1	–3%
European Community 1/	0.372	0.384	3%	6.440	6.351	–1%	6.796	6.6	–3%
Other Western Europe	0.039	0.045	16%	0.451	0.490	9%	0.493	0.5	1%
Eastern Europe	0.037	0.024	–35%	0.474	0.285	–40%	0.519	0.3	–42%
Soviet Union	0.011	0.160	1383%	2.929	1.521	–48%	2.938	1.9	–35%
Asia	1.362	1.116	–18%	14.965	13.637	–9%	16.131	14.8	–8%
Japan	0.634	0.587	–7%	7.533	7.205	–4%	8.075	7.8	–3%
China	0.097	0.043	–56%	0.818	0.612	–25%	0.909	0.7	–23%
Other East Asia	0.459	0.360	–22%	4.830	4.326	–10%	5.204	4.7	–10%
Taiwan	0.139	0.156	12%	1.682	1.610	–4%	1.816	1.7	–6%
South Korea	0.249	0.152	–39%	2.511	2.024	–19%	2.702	2.2	–19%
Hong Kong	0.071	0.051	–28%	0.636	0.688	8%	0.685	0.8	17%
Other Asia	1.281	1.074	–16%	14.287	13.288	–7%	15.374	1.6	–90%
Pakistan	0.040	0.020	–49%	0.360	0.120	–67%	0.391	0.1	–74%
Philippines	0.028	0.032	14%	0.320	0.328	3%	0.351	0.4	14%
Middle East	0.130	0.076	–42%	1.822	1.226	–33%	1.928	1.8	–7%
Iraq	0.000	0.000	0%	0.491	0.000	–100%	0.491	0.0	–100%
Saudi Arabia	0.054	0.035	–35%	0.400	0.416	4%	0.447	0.6	34%
Africa	0.114	0.156	37%	1.705	1.660	–3%	1.914	1.7	–11%
North Africa	0.071	0.108	51%	1.287	1.219	–5%	1.437	1.3	–10%
Egypt	0.035	0.068	95%	0.654	0.653	–0%	0.740	0.6	–19%
Algeria	0.020	0.027	39%	0.384	0.380	–1%	0.423	0.5	18%
Sub Saharan Africa	0.042	0.048	13%	0.417	0.442	6%	0.478	0.4	–16%
Latin America	0.477	0.475	0%	4.722	5.080	8%	5.142	5.4	5%
Mexico	0.230	0.225	–2%	2.453	2.675	9%	2.662	2.8	5%
Other Latin America	0.247	0.250	1%	2.269	2.405	6%	2.480	2.6	5%
Brazil	0.009	0.044	392%	0.093	0.253	170%	0.104	0.3	188%
Venezuela	0.049	0.023	–53%	0.302	0.276	–9%	0.346	0.4	16%
Canada*	0.347	0.345	0%	3.387	4.026	19%	3.707	4.3	16%
Oceania	0.028	0.022	–19%	0.273	0.301	10%	0.304	0.3	–1%
World Total	2.942	2.833	–4%	37.403	34.687	–7%	40.122	37.5	–7%

**Prior to 1990, it is estimated that U.S. agricultural exports to Canada as reported by the Bureau of the Census were understated. Data prior to January 1990 have not been adjusted.*
1/ Excluding East Germany prior to fiscal 1991; including East Germany in fiscal 1991.

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